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IN A NUTSHELL

Debtor-Creditor Issues

What do I do if I cannot pay my debts?

Talking to your creditors is the best way to begin. Let them know your situation. They may be able to reduce or eliminate future additions to your debt (i.e., late fees or over limit fees; creditors are unlikely to waive future interest charges). Keeping your creditors informed lets them know that you are taking this debt seriously and are trying to pay it back.

Can I make partial payments?

Most creditors will work with you to accept some type of weekly or monthly payment. These payments will be applied first to interest and then to the balance or principle of your debt. The bigger the payment, the sooner you will pay off your debt. Your payments should be larger than the accumulated interest or you will get further behind.

Will my creditors accept less than the total amount owed?

In some situations, a creditor will accept a lump sum payment that is less than the total amount owed. However, creditors generally do not accept monthly payments on a reduced debt. In other words, if a creditor will reduce the debt, you must pay that reduced amount all at once.

I have been sued, now what?

Contact the creditor or their attorney, or your own attorney. If you agree that you owe the money but cannot afford to pay it, admit the debt and try to work out payment arrangements. If there is a problem with the amount the creditor seeks, discuss

that with them and try to reach a resolution. If no resolution is reached, file a written answer with the court. If a court date is established, go. Otherwise, you will lose your case by default.

There is a judgment against me, now what?

If the appeal period has expired (usually 21 days after judgment was entered), contact the creditor or their attorney and try to work out payment arrangements. Without a payment arrangement, the creditor may try to garnish your wages, bank accounts, tax refunds or take other assets. Other variables may apply.

How will this affect my credit rating?

Bad debts will appear on your credit report and will hurt your credit rating. Once a debt is in default or turned into judgment, there is little that you can do to protect your credit rating. Creditors are required to report these types of activities. Paying off a judgment is the best way to repair your credit rating.

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The information presented here is not intended to be a substitute for legal advice. You should talk with an attorney if you have any questions about how this information applies to your own problem or facts.



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